

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
ON  
SENATE BILL NO. 3201, S.D. 1, H.D. 1

**March 21, 2022**  
**2:00 p.m.**  
**Room 329 and Videoconference**

**RELATING TO NONPROFIT ORGANIZATIONS**

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 3201, S.D. 1, H.D. 1, amends Section 237-23, HRS, to clarify the State general excise tax (GET) exemption for unrelated trade or business activities of non-profit organizations to allow fundraising income to be exempt from State GET laws.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.

DAVID Y. IGE  
GOVERNOR  
  
JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Aaron Ling Johanson, Chair;  
The Honorable Lisa Kitagawa, Vice Chair;  
and Members of the House Committee on Consumer Protection & Commerce

From: Isaac W. Choy, Director  
Department of Taxation

Date: Monday, March 21, 2022  
Time: 2:00 P.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 3201, S.D. 1, H.D. 1, Relating to Nonprofit Organizations**

The Department of Taxation (Department) offers the following comments regarding S.B. 3201, S.D. 1, H.D. 1, for your consideration.

S.B. 3201, S.D. 1, H.D. 1, amends section 237-23, Hawaii Revised Statutes (HRS), to provide further general excise tax (GET) exemptions to tax-exempt organizations. The bill repeals language currently denying tax-exempt organizations a GET exemption for fundraising activities. The bill adds language denying tax-exempt organizations a GET exemption for income from unrelated trade or business activity, as defined in the Internal Revenue Code (IRC). H.D. 1 has a defective effective date of October 18, 2050.

Tax-exempt organizations' fundraising activities are exempt from federal and Hawaii income taxation. This is because Hawaii income tax law conforms to the IRC. The federal and Hawaii income tax exemption is limited by imposing tax on income from unrelated trade or business activity. Conversely, a tax-exempt organization's gross receipts from fundraising activities are taxable under the GET.

This bill proposes to add congruity between the income tax and GET treatment of tax-exempt organizations. The bill would exempt tax-exempt organization's fundraising income and other receipts from GET, except those sourced from an unrelated trade or business. This would match the federal and Hawaii income tax treatment.

If a functional effective date is to be inserted, the Department respectfully requests that the measure be made effective on January 1, 2023. This will provide the time necessary to make form and instruction changes.

Thank you for the opportunity to provide testimony on this measure.

# HAWAII YOUTH SERVICES NETWORK

677 Ala Moana Boulevard, Suite 904 Honolulu, Hawaii 96813

Phone: (808) 489-9549

Web site: <http://www.hysn.org> E-mail: [info@hysn.org](mailto:info@hysn.org)

Carole Gruskin, President

Judith F. Clark, Executive  
Director

Bay Clinic

Big Brothers Big Sisters Hawaii

Big Island Substance Abuse  
Council

Bobby Benson Center

Child and Family Service

Coalition for a Drug Free Hawaii

Collins Consulting, LLC

Domestic Violence Action Center

EPIC, Inc.

Family Programs Hawaii

Family Support Hawaii

Friends of the Children's Justice  
Center of Maui

Get Ready Hawai'i

Hale Kipa, Inc.

Hale 'Opio Kauai, Inc.

Hawaii Children's Action  
Network

Hawaii Health & Harm

Reduction Center

Ho'ola Na Pua

Kahi Mohala

Kokua Kalihi Valley

Kokua Ohana Aloha (KOA)

Maui Youth and Family Services

Na Pu'uwai Molokai Native

Hawaiian Health Care  
Systems

P.A.R.E.N.T.S., Inc.

Parents and Children Together  
(PACT)

PHOCUSED

PFLAG – Kona Big Island

Planned Parenthood of the

Great Northwest and

Hawaiian Islands

Residential Youth Services

& Empowerment (RYSE)

Salvation Army Family

Intervention Services

Sex Abuse Treatment Center

Susannah Wesley Community  
Center

The Catalyst Group

March 18, 2022

To: Representative Aaron Ling Johanson, Chair,  
And members of the Committee on Consumer Protection and  
Commerce

## TESTIMONY IN SUPPORT OF SB 3201 SD 1 HD 1 RELATING TO NONPROFIT ORGANIZATIONS

Hawaii Youth Services Network, (HYSN) a statewide coalition of youth-serving organizations, supports SB 3201 SD 1 HD 1 Relating to Nonprofit Organizations.

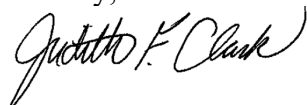
Hawaii's nonprofit organizations provide critically needed services to meet the health, housing, family strengthening, and educational needs of children, youth, and families.

Nonprofits must raise funds to carry out their missions and programs. Conducting fundraising events is one of the ways that nonprofits generate critically needed operating funds. While the IRS recognizes that such income is not a regularly carried out business and does not impose tax on income generated from these events, nonprofits are required to pay State GET on this income.

The GET paid on fundraising events takes away funds that would have been spent on the nonprofits mission and services. If the bill is passed, the GET savings would increase funds for services that help our most vulnerable community members. At the same time, increased revenue from fund raising could reduce nonprofit need for state contracts and legislative grants-in-aid, resulting a savings for the State of Hawaii.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH  
Executive Director



**Testimony to the House Committee on Consumer Protection & Commerce  
Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Monday, March 21, 2022 – 2:00 pm  
Via videoconference; Room 329**

**SB 3201, SD1 HD1 - Relating to Nonprofit Organizations**

**WRITTEN TESTIMONY ONLY**

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Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

We are in **strong support** of SB 3201, SD1 HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code. It will do this by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS. As a result, it will exempt nonprofit organizations from paying GET on fundraising income.

Established in 2005, the H.T. Hayashi Foundation reflects the legacy of visionary hotelier and philanthropist Herbert Takami "H.T." Hayashi. Today, the foundation invests in arts and culture, human development, environmental conservation, and economic security, focusing on programs serving women, children, and the elderly. A core part of our support of nonprofit organizations in the state is our belief that supporting the nonprofit sector's capacity to meet their mission is as equally important as supporting the work itself.

The nonprofit sector in Hawaii is a critical part of Hawaii's ability to address challenges and pursue opportunities in all areas including housing and homelessness, promoting the arts, preserving culture, engaging in conservation and climate change mitigation, facilitating economic development and growth, providing healthcare and education, supporting some of our most vulnerable residents, and meeting a variety of community needs across the state.

Nonprofits must raise funds to carry out their missions and programs. Conducting fundraising events is one critical, mission-related way to raise needed unrestricted operating funds. We believe that income generated by fundraising events should be treated the same as donations as they are essentially both donations but in different forms. The GET paid on fundraising events takes away funds that would be spent on the nonprofit's mission and services. If passed, the GET savings that would result from this bill would go directly towards these missions.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

*Jan M. Harada*  
*Executive Director*



**Testimony to the House Committee on Consumer Protection & Commerce**  
**Representative Aaron Ling Johanson, Chair**  
**Representative Lisa Kitagawa, Vice Chair**  
**Monday, March 21, 2022, 2:00 p.m.**  
**Via videoconference; Room 329**

**SB 3201, SD1, HD1, Relating to Nonprofit Organizations**

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Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection & Commerce:

On behalf of the Hawai'i Alliance of Nonprofit Organizations (HANO), I would like to thank you for hearing **SB 3201, SD1, HD1**. We testify in **strong support** of this bill.

HANO is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i. Our member organizations provide essential services to every community in the state.

Hawaii's nonprofit sector plays a critical role in the social and economic well-being of our residents. Whether it is addressing homelessness, preserving our culture or environment, providing healthcare or education, or promoting arts and culture, Hawaii's nonprofits provide services, goods, and resources to meet often neglected community needs.

The purpose of this bill is to align the State general excise tax (GET) law with the federal income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS. This change would simplify and improve a nonprofit's accounting of income, and, more importantly, would exempt fundraising income (that meet the unrelated business income standard) from GET.

Nonprofits must raise funds to carry out its mission and programs. Conducting fundraising events is one critical, mission-related way to raise needed unrestricted operating funds. Events like bake sales, golf tournaments, and dinners are held for this purpose. While the federal government recognizes that such income is not a regularly carried out business and does NOT impose tax on income generated from these events, nonprofits ARE required to pay State GET on this income which in turn reduces the funds raised.

HANO believes income generated by fundraising events should be treated the same as donations as they are essentially both donations but in different forms. Because GET is not paid on

donations, if someone donates \$1000 to a nonprofit, no GET applies. But if that same donor gives \$1000 for a fundraiser dinner, the nonprofit has to pay \$47 in GET. While there may be a distinction between the two for GET purposes, there is no difference from the perspective of the donors and nonprofits. Nonprofits should be encouraged to generate income from fundraising events but the GET disincentivizes them to do so.

Most importantly, the GET paid on fundraising events takes away funds that would be spent on the nonprofit's mission and services. If passed, the GET savings that would result from this bill would go directly towards these missions as testimony from nonprofits describe.

Furthermore, because nonprofits pay GET on the gross income of fundraising events, they are taxed twice: once when the goods and services are bought for the event and then again on the income received for the event.

Finally, HANO takes note of the Department of Budget and Finance comments regarding compliance with the American Rescue Plan Act in its previous testimony. HANO conducted a detailed analysis of the projected GET annual revenue loss from this bill which amounted to approximately \$1.5 million based on 2017/2018 IRS 990 forms of the top 800 Hawaii 501(c)(3) organizations as determined by annual revenues.

HANO strongly urges this Committee to pass this bill.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama  
President and CEO





## **SB3201 SD1 HD1 Non-profit fund-raising exempt from state tax similar to federal law**

### **COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

Rep. Aaron Ling Johanson, Chair

Rep. Lisa Kitagawa, Vice Chair

Monday, Mar 21 2022: 10:00 am : Videoconference

## **Hawaii Substance Abuse Coalition Supports SB3201 SD1 HD1:**

*ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment, prevention, and harm reduction agencies.*

HSAC urges the Legislature to end GET taxing for non-profits' fund raising, which is used for their mission, and to come into alignment with federal tax laws. Hawaii's nonprofit organizations are essential for Hawaii's well-being, providing critical services in an efficient and cost-saving manner than if government provided the services:

1. A big part of the reason that **non-profits are more cost-effective is that non-profits can fund-raise for their mission**, which the government cannot do.
2. The state is protected from other uses of funds because **Federal law stipulates that a non-profit agency must use their income, fund, or other sources to further the purposes for which they were formed**. For the IRS to grant a non-profit exemption, the agency must use any funds for the charitable purpose for which it was formed.
3. **Government rates including state and federal Medicaid/Medicare are historically low** such that non-profits must perform fund raising activities to sustain their services and support operations.
4. **The amount paid for GET tax is needed for operations** and would help to provide better care to the community.
5. Additional income to the non-profit **would help to increase wages so that all staff are above minimum wage levels**.

We appreciate the opportunity to provide testimony and can answer any questions.



# KONA DANCE & PERFORMING ARTS

81-973 HALEKI'I ST., KEALAKEKUA  
(808)657-4473

**Testimony to the House Committee on Consumer Protection & Commerce  
Monday, March 21, 2022, 2:00 p.m.  
Via videoconference; Conf. Room 329**

## **SB 3201, SD1, HD1, Relating to Nonprofit Organizations**

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Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

We are in **strong support** of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Kona Dance & Performing Arts is a 501(c)(3) non-profit arts organization founded in March 2016 by a dedicated group of families eager to fill a gap in their community. After securing a studio in the heart of South Kona, we began our journey to bring dance and performing arts opportunities to the Big Island Community. We strongly believe that arts education is not just a luxury, but imperative to develop the mind, body, and spirit of each individual. Our Mission is to provide high quality education and instruction in dance and performing arts to the local youth and the Big Island community and our Vision is every Big Island family empowered through dance and performing arts.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to continue to provide high quality education and instruction in dance and performing arts to the local youth and the Big Island community. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs. We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,  
Laurie Mattos  
*Treasurer*  
*Kona Dance & Performing Arts Inc.*



THE SANCTUARY OF MANA KE'A GARDENS  
[www.hawaiisanctuary.org](http://www.hawaiisanctuary.org)

March 18, 2022

**Testimony to the House Committee on Consumer Protection & Commerce  
Monday, March 21, 2022, 2:00 p.m.  
Via videoconference; Conf. Room 329**

**SB 3201, SD1, HD1, Relating to Nonprofit Organizations**

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Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

We are in strong support of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to promote additional *services and hire more personnel, etc.)*

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax-exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

In Peace,

  
Randy Rupar, President



*"Bringing the arts to Molokai and Molokai to the arts"*

1630 Farrington Avenue; Kualapuu, HI 96757 808.567.9696

**Testimony to the House Committee on Consumer Protection & Commerce  
Monday, March 21, 2022, 2:00 p.m.  
Via videoconference; Conf. Room 329**

**SB 3201, SD1, HD1, Relating to Nonprofit Organizations**

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Dear Chair Johanson, Vice-Chair Kitagawa, and members of the Committee on Consumer Protection & Commerce:

We are in **strong support** of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

We are a small homegrown organization, our vision is to provide art classes, youth programs, studio and gallery space for adults, children, residents, and visitors to our island. We believe that the artistic spirit is inherent, from youth to novice, professional artists to beginners. Everyone in the community should have the opportunities to develop their creative gift to the extent possible. The mission allows artists to be the consciousness of culture, but if we do not allow people the opportunities to develop their creativity, we as a culture, a society, lose out on our most incredible resource: human potential.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to hire more artists, allow artist residence to participate longer, provide our Executive Director to have benefits to support a family.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

A handwritten signature in blue ink, appearing to read 'Iolani Kuoha, with a stylized flourish at the end.

*'Iolani Kuoha*  
*Chairperson, Moloka'i Arts Center*

**SB-3201-HD-1**

Submitted on: 3/19/2022 9:12:21 AM

Testimony for CPC on 3/21/2022 2:00:00 PM

| Submitted By    | Organization                            | Testifier Position | Testify                   |
|-----------------|---|--------------------|---------------------------|
| Sarah Fairchild | Outrigger Duke<br>Kahanamoku Foundation | Support            | Written Testimony<br>Only |

Comments:

Dear House Committee on Consumer Protection and Commerce,

I'm writing in support of SB3201 to repeal the General Excise Tax on general fundraising revenue. Nonprofits are fundraising in order to fund programs and services that benefit the community. These programs and services already supplement or replace government funding to serve the community. In other words, we are saving the government money. Tax money reaped through fundraising is hamstringing the effectiveness of the nonprofit. I can tell you from experience, that past the initial percentage lost to taxes, many more staff hours (and therefore funds) are spent on accounting for the GET. Please repeal the GET on fundraising.

Mahalo,

Sarah Fairchild

Executive Director

Outrigger Duke Kahanamoku Foundation

808-292-7694





Testimony to the House Committee on Consumer Protection & Commerce  
Monday, March 21, 2022, 2:00 p.m.  
Via videoconference; Conf. Room 329  
SB 3201, SD1, HD1, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

We are in **strong support** of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Nā Hale O Maui, a Community Land Trust, is a grassroots, membership based 503(C)3 with a **mission to secure and preserve a permanent supply of affordable housing alternatives for low- and moderate-income households in Maui County**. Forty-seven workforce households currently live in these single family CLT homes. Nā Hale O Maui partners with our community, including but not limited to County of Maui Affordable Housing Funds, Federal Neighborhood Stabilization Project funds, philanthropic organizations, private businesses and individuals to address the critical housing shortage in Maui County. The homes are provided at below market prices, and remain affordable in perpetuity, family after family, generation after generation.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Nā Hale O Maui has successfully applied for capital improvement funds for the acquisition, rehabilitation and construction of single-family homes. Sources of operational funds include fundraising and ground lease rent (beginning at \$45/month) that are subject to GET.

If this bill is passed, the GET savings will allow us to continue to provide truly affordable housing and help move Nā Hale O Maui toward operational sustainability.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

Cassandra J. L. Abdul,  
Executive Director

2119 N. King Street Suite 202  
Honolulu, Hawai'i 96819

bbbshawaii.org

## BOARD OF DIRECTORS

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*Vice Chair*

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Blaine Fujimoto  
Derek Kanehira  
Jared Kashiwabara  
Maria Kinsler  
Yolanda Lau  
Shane Mizusawa  
Darin Nakakura  
David Nakashima  
Dennis Rae  
Chris Sbarbaro  
Rupa Wong

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John Fink  
Dennis Francis  
Larry Taff

President/CEO  
Dennis Brown

## Testimony to the House Committee on Consumer Protection & Commerce

Monday, March 21, 2022, 2:00 p.m.

Via videoconference; Conf. Room 329

### SB 3201, SD1, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Protection & Commerce,

Big Brothers Big Sisters Hawaii (BBBS Hawaii) **strongly supports** SB 3201, SD1, HD1. This bill aligns the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS. As a result, it will exempt nonprofit organizations from paying GET on *fundraising* income.

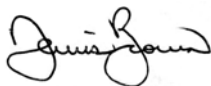
BBBS Hawaii provides preventive, one-to-one mentoring services to thousands of Hawaii's children who've experienced serious trauma in their young lives. Data show that a high percentage of youth we serve graduate high school, avoid the juvenile justice system, and succeed as responsible adults.

Passage of this bill would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting since the IRS tax code is clear and well-established.

If this bill is passed, we would be able to use the GET savings to support more mentoring relationships between responsible adults and children who need them. We could also expand our services to include parent training and support to help reduce the cycle of poverty and domestic abuse.

Every dollar we pay in general excise taxes is a dollar less we can devote to our tax exempt mission and programs. We urge you to pass this legislation.

Thank you for the opportunity to submit this written testimony.



Dennis Brown  
President/CEO





PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

March 19, 2022

TO: Representative Aaron Ling Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair  
Members of the House Committee on Consumer Protection & Commerce

FROM: Christy MacPherson, PHOCUSED

SUBJECT: Testimony: Relating to Nonprofit Organizations

Hearing: March 21, 2022 at 2:00 pm  
Via videoconference

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee on Consumer Protection & Commerce,

Thank you for the opportunity to provide testimony in **STRONG SUPPORT** of SB 3201 SD1 HD1.

PHOCUSED is a nonpartisan project of Hawai'i Appleseed Center for Law and Economic Justice and comprises health and human service organizations and the people they serve across the State of Hawai'i. We have been collaborating on advocacy pertaining to critical procurement and service delivery issues that directly impact our providers.

Nonprofits are constantly challenged with raising revenue to provide the services that they so effectively provide for the people of Hawai'i. The pandemic has only exacerbated these challenges and government contracts are simply not enough to help them sustain their services. This legislation would provide more needed income for nonprofits to use towards their mission-based activities that support our residents in purposeful and impactful ways.

It is also important to note that nonprofit purchases and expenditures are already taxed.

We strongly urge you to consider passage of SB 3201 SD1 HD1. Thank you again for the opportunity to submit testimony on this measure.

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PHOCUSED IS A PROJECT OF HAWAII APPLESEED

733 BISHOP STREET, SUITE 1180 • HONOLULU, HI 96813 • (808) 587-7605 • PHOCUSED.ORG

Monday, March 21, 2022 at 2:00PM  
Via Video Conference; Conference Room 329

**House Committee on Consumer Protection & Commerce**

To: Representative Aaron Johanson, Chair  
Representative Lisa Kitagawa, Vice Chair

From: Michael Robinson  
Vice President, Government Relations & Community Affairs

**Re: SB 3201, SD1, HD1 – Testimony In Support  
Relating to Nonprofit Organizations**

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My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

I am writing in SUPPORT of SB 3201, SD1, HD1 which clarifies the GET exemption for unrelated trade or business activities of nonprofit organizations.

Under federal regulations, nonprofit organizations are exempt from federal income tax because these organizations provide communities with critically needed programs, goods, and services, many of which would otherwise be provided by government agencies. However, the federal regulations do not exempt from federal income tax the income of nonprofit organizations that is generated by an unrelated business activity not substantially related to the nonprofit organization's tax-exempt purpose.

While Hawaii law provides nonprofit organizations with an exemption from the general excise tax for income generated by a nonprofit organization's charitable activities, activity which is used to produce income, even though the income may be in furtherance of exempt activities, is not exempt from the general excise tax. The bill provides clarification as to the type of activity that would be taxable, aligning with federal regulations. This would allow nonprofit organizations to streamline their accounting systems.

Thank you for the opportunity to testify.

# TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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SUBJECT: GENERAL EXCISE, Conform Fundraising Income to Federal UBIT Definition

BILL NUMBER: SB 3201 HD 1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Aligns the general excise tax law and net income tax law with respect to gross income derived from unrelated trade or business activities of nonprofit organizations, and allows fundraising activity of nonprofit organizations that is not unrelated trade or business to be exempted from the general excise tax.

SYNOPSIS: Amends section 237-23(b)(3), HRS, such that the GET exemption for qualified nonprofit organizations extends to activities previously classified as fund raising, as long as they are not an “unrelated trade or business” as defined in the Internal Revenue Code. In considering whether an activity is an unrelated trade or business, the modifications to unrelated business taxable income as provided in section 512(b) of the Internal Revenue Code shall not apply.

EFFECTIVE DATE: October 18, 2050.

STAFF COMMENTS: One of the points of frustration that tax practitioners have when working with nonprofit tax-exempt organizations is the different way that federal and state law define income that is subject to tax even for a nonprofit. The federal code uses the concept of “unrelated business taxable income.” State income tax law conforms to that concept. State GET law uses another concept, however, taxing “any activity the primary purpose of which is to produce income even though the income is to be used for or in furtherance of the exempt activities.” Thus, the GET taxes such items as:

- Fundraising dinners
- Golf tournaments
- Sales of fundraising items whether or not donated to the organization
- Benefit concerts or carnivals
- Parking fees at hospitals and medical clinics

Perhaps it’s now a good time to discuss the relative benefits and detriments of both rules.

Digested: 3/19/2022



## CATHOLIC CHARITIES HAWAII

### TESTIMONY IN SUPPORT OF SB 3201, SD1, HD1: RELATING TO NON-PROFIT ORGANIZATIONS

TO: House Committee on Consumer Protection & Commerce

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i

**Hearing: Monday, 3/21/22; 2:00 PM via videoconference**

Chair Johanson, Vice Chair Kitagawa, and Members, Committee on Consumer Protection & Commerce:

Thank you for the opportunity to provide testimony **in Strong Support of SB 3201, SD1, HD1**, which clarifies that income from fundraising activities of nonprofits would be exempt from the state's GET. I am Rob Van Tassell, with Catholic Charities Hawai'i.

This bill proposes to add congruity between the income tax and GET treatment of tax-exempt organizations. The bill would exempt tax-exempt organization's fundraising income and other receipts from GET, except those sourced from an unrelated trade or business. This would match the federal and Hawaii income tax treatment. We believe that fundraising income should be considered essentially the same as direct donations to a nonprofit, which are already exempt from the GET.

Catholic Charities Hawai'i strongly supports this clarification of the GET. Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Hawaii's nonprofits provide essential services to the people of Hawaii with very limited resources. They often must fundraise to continue these services. Nonprofits are already under additional stress due to the pandemic. This bill would simplify nonprofit organizations' accounting of income by exempting fundraising income from the GET. This would result in additional income for services as well as lesser accounting costs. The bill will help to maintain a strong nonprofit sector, dedicated to serving the many diverse needs of the people of Hawai'i.

We urge your support for this bill to clarify the GET exemption for fundraising revenues of nonprofit organizations.

Please contact our Legislative Liaison, Betty Lou Larson at [alohabettylou@hotmail.com](mailto:alohabettylou@hotmail.com) or (808) 373-0356 if you have any questions.

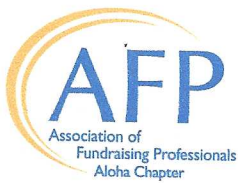


Catholic  
Charities  
USA



CLARENCE T. C. CHING CAMPUS • 1822 Ke'eumoku Street, Honolulu, HI 96822  
Phone (808) 373-0356 • [bettylou.larson@CatholicCharitiesHawaii.org](mailto:bettylou.larson@CatholicCharitiesHawaii.org)





**Our Vision:** Charitable organizations have the philanthropic resources necessary to fulfill their missions for a better Hawaii.  
**Our Mission:** We advance philanthropy throughout Hawaii by actively promoting the practice of ethical and effective fundraising with education, training, advocacy, and mentoring for the benefit of all, with the spirit of aloha.

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Susan H. Oshiro

Testimony to the House Committee on Consumer Protection & Commerce  
Monday, March 21, 2022 at 2 pm

**SB 3201 SD1 HD1, Relating to Nonprofit Organizations**

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection & Commerce,


We are in **strong support** of SB 3201. This bill would align the State General Excise Tax (GET) law with the federal income tax law by exempting the fundraising income generated by a tax-exempt nonprofit organization from the GET, while retaining the GET for gross income derived from any "unrelated trade or business," as defined by the Internal Revenue Code.

Our organization, the AFP Aloha Chapter, represents professional nonprofit fundraisers across the State of Hawai'i. We support the passage of this bill as it would relieve our members' nonprofits, as well as our own organization, from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

**Every dollar that Hawai'i nonprofits must pay in general excise taxes is a dollar less that we can devote to our tax-exempt, charitable missions and programs.**

If this bill is passed, the GET savings from across the state's nonprofit sector would make a significant difference for communities across Hawai'i during this critical time.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo  


Michelle Morihara, CFRE, MBA  
President, AFP Aloha Chapter





## HAWAII STATE COALITION AGAINST DOMESTIC VIOLENCE

March 21, 2022

Members of the House Committee on Consumer Protection & Commerce:

Chair Aaron Ling Johanson  
Vice Chair Lisa Kitagawa  
Rep. Henry J.C. Aquino  
Rep. Sharon E. Har  
Rep. Mark J. Hashem  
Rep. Sam Satoru Kong

Rep. John M. Mizuno  
Rep. Dee Morikawa  
Rep. Richard H.K. Onishi  
Rep. David A. Tarnas  
Rep. Lauren Matsumoto

Re: SB3201 SD1 HD1 Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa, and Members of the House Committee on Consumer Protection & Commerce:

The Hawai'i State Coalition Against Domestic Violence (HSCADV) advances the safety and healing of victims, survivors and their families. We are the collective voice of a diverse network of organizations and individuals, working to eliminate all forms of domestic violence in Hawai'i by fostering partnership, increasing awareness of domestic violence, developing the capacity our member programs and community partners to address the needs of survivors and their families, and advocating for social justice and change.

On behalf of HSCADV and our 26 member programs statewide, we are in **strong support of SB3201**. The purpose of this bill is to align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income. While the federal government recognizes that such income is not a regularly carried out business income and does NOT impose tax on income generated from these events, nonprofits ARE required to pay State GET on this income which in turn reduces the funds raised.

This measure would provide much needed income for nonprofits to use towards their mission-based activities that support our residents in purposeful and impactful ways. Currently, because nonprofits pay GET on the gross income of fundraising events, they are taxed twice: once when the goods and services are bought for the event and then again on the income received for the event.

Thank you for the opportunity to testify on this important matter.

Sincerely,

Angelina Mercado, Executive Director

**SB-3201-HD-1**

Submitted on: 3/20/2022 11:02:46 AM

Testimony for CPC on 3/21/2022 2:00:00 PM

| Submitted By    | Organization                   | Testifier Position | Testify                |
|-----------------|--------------------------------|--------------------|------------------------|
| Delania Branham | Kona Dance and Performing Arts | Support            | Written Testimony Only |

Comments:

Testimony to the House Committee on Consumer Protection & Commerce

Monday, March 21, 2022, 2:00 p.m.

Via videoconference; Conf. Room 329

SB 3201, SD1, HD1, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

We are in strong support of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

We are a small nonprofit dance education organization that serves the rural South Kona community. Our participants range from pre-ballet 3 year olds, to adult dance students to groups like Dance for Parkinsons. Our mission and vision are:

MISSION: We are a 501(c)3 nonprofit arts organization striving to provide high quality education and instruction in dance and performing arts to the local youth and the Big Island community.

VISION: Every Big Island family empowered through dance and performing arts opportunities.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to keeping our organization operating. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established. For small nonprofits like ours every tiny bit of savings helps us keep the doors open and to continue serving our community.

If this bill is passed, the GET savings we would see would allow us to put those savings towards our programming and our future growth. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

Delania Branham

Vice President, Kona Dance and Performing Arts





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Garret Sugai  
Pharmacare Hawai'i

Titimaewa Ta'ase, JD  
State of Hawai'i, Deputy Public Defender

## HIPHI Initiatives

Coalition for a  
Tobacco-Free Hawai'i

Community Health  
Worker Initiative

COVID-19 Response

Hawai'i Drug & Alcohol Free  
Coalitions

Hawai'i Farm to School Hui

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Food Security Coalition

Date: March 20, 2022

To: Rep. Aaron Ling Johanson, Chair  
Rep. Lisa Kitagawa, Vice Chair  
Members of the Committee on Consumer Protection and  
Commerce

Re: Support for SB 3201, SD1, HD1, Relating to Nonprofit  
Organizations

Hrg: March 21, 2022 at 2:00 PM via videoconference

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Hawai'i Public Health Institute (HIPHI) is in **support of SB 3201, SD1, HD1**, which clarifies the application of State general excise tax (GET) with regard to gross income generated by a nonprofit for any unrelated trade or business.

HIPHI is a 501(c)(3) nonprofit organization and a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations. Grants and private donations fuel our work and while income raised through fundraisers is exempt from the federal GET, this income is still subject to the state GET, reducing the impact potential of money raised for the organization's mission. SB 3201 aligns state law with federal IRS income tax code and allows nonprofits to put more of the money they raise towards their programs and services. Exempting fundraising income from the GET means that more money will be spent on programs and services that benefit Hawai'i's communities.

For these reasons, HIPHI respectfully requests that the Committee **PASS SB 3201, SD1, HD1**.

Thank you for the opportunity to provide testimony.

Mahalo,

A handwritten signature in black ink, appearing to read "Amanda J. Fournier".

Amanda Fernandes, JD  
Policy and Advocacy Director



**TO:** Chair Johanson, Vice Chair Kitagawa, and Members of the House Committee on Consumer Protection and Health

**FROM:** Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

**DATE/LOCATION:** March 21, 2022; 2:00 p.m., Conference Room 329/Video Conference

**RE: TESTIMONY IN SUPPORT OF SB 3201 SD 1 HD 1– RELATING TO NONPROFIT ORGANIZATIONS**

**We ask you to support SB 3201 which clarifies the application of the general excise tax law with regard to gross income derived from unrelated trade or business activities of nonprofit organizations.** This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

This bill would relieve nonprofit organizations from having to pay general excise tax on our fundraising income, which is of vital importance to funding our mission and ensuring that our dollars raised go directly back to serve our communities. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii's not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 17,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 20 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, poverty prevention and community building programs.

Thank you for the opportunity to testify in **support of SB 3201**, please contact me at (808) 847-3285 or [rkusumoto@pacthawaii.org](mailto:rkusumoto@pacthawaii.org) if you have any questions.



Hawaii  
**Children's Action Network Speaks!**  
Building a unified voice for Hawaii's children

*Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.*

To: House Committee on Consumer Protection & Commerce

Re: **SB 3201, SD1, HD1 – Relating to Nonprofit Organizations**  
Hawai'i State Capitol, Via Videoconference, Conference Room 329  
March 21, 2022, 2:00 PM

Dear Chair Johanson, Vice Chair Kitagawa, and Committee Members,

**On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of SB 3201, SD1, HD1 relating to nonprofit organizations.** This bill would clarify the application of the general excise tax law with regard to gross income derived from unrelated trade or business activities of nonprofit organizations.

This bill clarifies the application of the general excise tax (GET) law by aligning state law with the federal IRS income tax code. It would do that by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

This bill would help organizations like ours by relieving us from paying GET on our fundraising income, which is of vital importance to funding our charitable operations. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our mission of advocating for Hawai'i's children and their families.

Since donors and nonprofit organizations view both the funds raised at fundraising events and direct contributions as donations to the organization, we believe they should be treated the same way for tax purposes. Since the IRS tax code is clear and well-established on this issue, this bill would also simplify accounting for nonprofit organizations in our state.

Mahalo for this opportunity to provide testimony. Please pass this bill.

Thank you,

Nicole Woo  
Director of Research and Economic Policy

**SB-3201-HD-1**

Submitted on: 3/18/2022 11:43:10 PM

Testimony for CPC on 3/21/2022 2:00:00 PM

| Submitted By       | Organization | Testifier Position | Testify                   |
|--------------------|--------------|--------------------|---------------------------|
| Carolann Biederman | Individual   | Support            | Written Testimony<br>Only |

Comments:

Aloha,

Thank you for your consideration of this important change for nonprofit organizations. Through my professional work helping nonprofits with fundraising efforts, I know how much approval of this bill will mean to the bottom line for Hawaii's critical nonprofit organizations. The bill will make it possible for 100% of donated resources to support services for our community members, instead of paying GET on fundraising revenues. Thank you for your consideration. Sincerely,  
Carolann Biederman



**Hawaiian Humane Society**  
People for animals. Animals for people.

2700 Waialae Avenue Honolulu, Hawaii 96826  
808.356.2200 • [HawaiianHumane.org](http://HawaiianHumane.org)

**LATE**

Date: March 20, 2022

To: Chair Rep. Aaron Ling Johanson  
Vice Chair Rep. Lisa Kitagawa  
and Members of the  
Committee on Consumer Protection and Commerce

Submitted By: Anna Neubauer, President & CEO  
Hawaiian Humane Society, 808-356-2242

RE: Testimony in support of SB 3201, SD1, HD1  
Relating to Nonprofit Organizations  
Monday, March 21, 2022, 2 p.m., Room 329 or Videoconference

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Aloha Chair Johanson, Vice Chair Kitagawa and Committee Members,

On behalf of the Hawaiian Humane Society, thank you for considering our support for Senate Bill 3201, SD1, HD1, which clarifies the GET exemption for unrelated trade or business activities of nonprofit organizations. This bill would align the State General Excise Tax law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any “unrelated trade or business” as defined by the IRS, exempting nonprofit organizations from paying GET on fundraising income.

For nearly 140 years, the Hawaiian Humane Society has been a leader in animal welfare statewide, offering more than 30 programs and services for the community. Our mission is to promote the human-animal bond and the humane treatment of all animals. As the animal service provider for the City and County of Honolulu and the official pet lost and found for the island of Oahu, we provide a safe haven for thousands of pet animals each year, as well as creating new families through adoption and assisting pet owners in need. Most of our revenue comes from private donations and fundraising events.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. We urge you to pass SB 3201, SD1, HD1. Thank you for the opportunity to submit this written testimony.



Lāna`i Kina`ole, Inc.  
PO Box 630805  
617 Ilima Ave  
Lāna`i City, HI 96763  
Phone (808)565-8001 Fax (808)565-8185  
<http://lanaikinaolethehometeam.org/>

**LATE**

**Testimony to the House Committee on Consumer Protection & Commerce**

**Monday, March 21, 2022, 2:00 p.m.**

**Via videoconference; Conf. Room 329**

**SB 3201, SD1, HD1, Relating to Nonprofit Organizations**

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

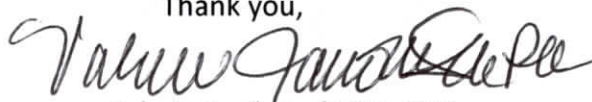
We are in **strong support** of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

We are a 501(C)3 Lana`i Kina`ole Inc and our mission is, "as family and friends is to be committed to advocating for care service delivery to our community, with a focus on individual preferences, preserving dignity, promoting quality and honoring our Kupuna." We provide home and community-based services to the residents of Lana`i island. As a state licensed home health agency, we serve clients in their home environments or at a community location, as preferred by the individual or the family members. Client services requiring skilled nursing support. Typically, a Registered Nurse (RN) assessment, and implementation of a plan of care (POC), to include interventions based on the primary care provider (PCP) orders. Examples are specialty wound care, administration, and management of medication(s), oral, injectable or intravenous (IV) medications administration, lab/blood or specimen collection, health monitoring, in the client's home environment etc. as indicated and ordered. Under the supervision of the RN, the trained caregivers, typically Certified Nursing Assistants (CNAs) provide support with basic activities and Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL).

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to assist with covering operating expenses such as employment benefits for full and part time employees i.e., medical benefits, paid time off, etc. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission, and programs. We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Thank you,



Valerie Janikowski RN, BSN

Program Administrator



**LATE**

**Testimony to the House Committee on Consumer Protection & Commerce  
Monday, March 21, 2022, 2:00 p.m.  
Via videoconference; Conf. Room 329**

**SB 3201, SD1, HD1, Relating to Nonprofit Organizations**

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Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection & Commerce:

We at New Start Discipleship are in **strong support** of SB 3201, SD1, HD1. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

New Start Discipleship (NSD) ministers to formerly incarcerated men by sharing the Word of God to transform their hearts to lead a Christ-centered life. NSD offers safe transitional housing to assist those leaving incarceration. We provide discipleship, personal development, and success strategies to help people re-enter our communities as productive men citizens. We currently operate two transitional homes in Oahu provide housing and mentoring for up to 15 men. Our organization provides recovery services and classes and mentoring services to help these men as they re-integrate our communities. Our passion is to help these men get back on their feet, focus on an often-overlooked part of society, reduce the overall recidivism rate here on Oahu, and provide them the skills and confidence necessary to move forward in their lives.

All of us our volunteers; no one draws a salary, and we depend solely upon donations to provide the support necessary to adequately operate our two transitional homes. We currently pay GET on any funds we raise through donations and charitable events. This is contrary to the current IRS requirements and places a financial burden on our small organization while limiting our ability to provide the vital services we offer. we raise strongly support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us better to use our funds to purchase necessary supplies for our houses and pay for classes and services we offer the men living in our homes. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our mission to enrich the lives



of former inmates and provide each of them better tools and opportunities to excel and integrate back into society as confident, Godly, and law-abiding men. We are tax exempt, charitable mission, and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

Kerry Dennard, President  
New Start Discipleship



HAWAII FOREST INDUSTRY ASSOCIATION (HFIA)  
P. O. Box 66 ☐ 'O'ōkala, HI 96774  
Phone: 808-933-9411  
Email: [hfia@hawaiiiforest.org](mailto:hfia@hawaiiiforest.org)  
Website: [www.hawaiiiforest.org](http://www.hawaiiiforest.org)

**LATE**

**Date:** 3/20/2022

**To:** CPC Chair Aaron Ling Johanson, CPC Vice Chair Lisa Kitagawa, CPC Reps. Henry Aquino, Sharon Har, Mark Hashem, Sam Satoru Kong, John Mizuno, Dee Morikawa, Richard Onishi, David Tarnas, and Lauren Matsumoto

**From:** Hawai'i Forest Industry Association (HFIA)

**Subject:** Testimony in support of SB3201 SD1 HD1 Relating to Nonprofit Organizations

Dear Hawaii Legislators,

We ask you to support SB 3201 SD1 HD1 which clarifies the GET exemption for unrelated trade or business activities of nonprofit organizations. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

This bill would relieve nonprofit organizations from having to pay general excise tax on our fundraising income, which is of vital importance to funding our mission and ensuring that our dollars raised go directly back to serve our communities.

Mahalo,

Heather Simmons, Executive Director  
Hawaii'i Forest Industry Association

*Established in 1989, HFIA is a nonprofit organization founded by people committed to sustainable forest management. HFIA's mission is to promote healthy and productive forests and a sustainable forest industry through forest management, education, planning, information exchange, and advocacy. HFIA has over 250 members including woodworkers, landowners, sawyers, foundations, foresters, growers, educators, environmentalists, architects, millers, ranchers, governments and others interested in HFIA's goals and mission.*

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